

COM-21-004

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Date

September 30, 2021

To

All Approved Insurance Providers

All Risk Management Agency Field Offices

All Other Interested Parties

From

Heather Manzano, Deputy Administrator for Compliance /s/ Heather Manzano

Subject

Appendix IV Guidance for Pasture, Rangeland, Forage (PRF) Quality Assurance Reviews and additional 30 days to complete Rainfall Index (RI) reviews

Background

During a 2020 Pasture, Rangeland, Forage Program Review, Compliance identified several instances where the point of reference (POR) was not accurately reported. RMA issued COM-20-007 identifying our concerns and reminded Approved Insurance Providers (AIPs) and their agents must ensure that policyholders: 1) correctly report their PORs on the acreage report; and 2) identify a POR located in both the intended insured acreage and grid ID. Additionally, AIPs must report all applicable PORs through PASS.

Under SRA Appendix IV, Section 3(a)(2) the Company is responsible for conducting all quality control reviews using objective and unbiased individuals who were not involved in the sales, supervision of sales, or establishment of the guarantee and did not participate in adjusting the loss for the eligible crop insurance contract reviewed. Quality control reviews shall be independent.

SRA Appendix IV, Section 3(b)(3)(D), Rainfall Index Reviews and Vegetation Index Reviews, states that the Company shall perform acreage/colony report reviews not

later than 120-days after the acreage/colony reporting date for the crop, as listed in the Special Provisions or after an acreage adjustment is completed in the crop year, as specified in the applicable policy.

SRA Appendix IV, Section 3(b)(3)(D), also states that acreage/colony report reviews shall include verification of:

- (I) Actual acres (total including insured and uninsured acres) versus insured acres;
- (II) Actual colonies versus insured colonies (colonies can be verified by FSA or other federal or state governmental reporting purchase agreements, bill of sales, etc.);
- (III) Insurable interest/share in the crop; and
- (IV) Insurability of the insured acreage located within the county, and that such acreage was reported on or before the acreage reporting date.

Recently RMA, has received questions and requests for guidance on conducting PRF reviews under Standard Reinsurance Agreement (SRA) Appendix IV, Quality Assurance and Program Integrity. The following questions and answers provide the requested guidance.

According to the SRA definition, verification means the determination of whether information submitted is true and accurate through independent third parties or independent documentation in accordance with FCIC procedures. With respect to certifications, asking the policyholder whether the information is true and accurate does not constitute verification.

Question #1: Does RMA require Rainfall Index (RI) reviews be completed within 120 days?

Answer: The SRA requirement is to perform reviews within 120 days. Reviews must be initiated within 120 days after the acreage/colony reporting date for the crop, as listed in the Special Provisions or after an acreage adjustment is completed in the crop year as specified in the RI policy. If the review is initiated within 120 days of acreage/colony reporting date, AIPs may take an additional 30 days to complete the review. Reviews must be completed within 150 days of the acreage/colony reporting date.

Question #2: What does acre verification mean to RMA for this product and what third party records should an AIP use to validate PRF actual acres (e.g. Common

Information Management System (CIMS) data, FSA-578, Report of Acreage (FSA-578), precision farm records, common land units (CLUs), resource land units (RLUs)).

Answer: The AIP must verify the location and quantity of the actual acreage available to the producer for insurance (the “insurable acreage”). The PRF crop provisions require a land identifier to be reported on the acreage report and specifically provides FSA farm, tract, and field numbers, CLU, or RMA RLU.¹ Absent FSA-578s, other third-party records include, but are not limited to:

- Acreage measurements by FSA or a business that provides measuring service, or the AIP’s own on-farm measurement²
- RLU with acreage measurements
- State or federal agency measurements (e.g. Bureau of Land Management, Forest Service, etc.)

In addition to verifying the location and quantity of actual acres, AIPs must verify the insurability and insurable interest/share of those acres (see responses below on suitability and insurable interest).

Question #3: Does RMA consider the Point of Reference (POR) map created by the Agent/Insured to be sufficient verification for acres?

Answer: No. Points of reference are established by the producer to identify the location of insured acreage on a map and do not provide an independent verification of the number of actual acres nor the producer’s interest/share in those acres.

Question #4: If the insured does not participate in FSA programs and does not certify acreage information with FSA, should an AIP conduct a field inspection if no other third- party records are available?

Answer: Yes, the AIP must conduct a field inspection if no other third-party records are available. Land identifiers for the acreage must be obtained through an RMA RLU if the insured does not provide a CLU.

Question #5: Should an AIP conduct a field inspection as part of any RI/PRF compliance review as standard practice?

Answer: The AIP is responsible for determining its standard practices. Field inspections are not necessarily required to complete these reviews unless they are needed on a case-by-case basis.

Question #6: Is a lease, provided by the insured, with an FSN identified on the lease sufficient without the associated FSA-578?

Answer: A lease that references an FSA farm number or FSA-578 attachment does not verify the terms of the lease. A lease must comply with the policy provisions definition. The PRF crop provisions require that acreage reports provide a land identifier for the acreage and specifically provides for a FSA farm, tract, and field numbers, CLU, or RMA RLU. The AIP must independently verify the terms of a written lease (e.g. accuracy of the land identifier, acreage measurements, and interest/share, etc.).

Question #7: What actions should an AIP take if the insured leases the acreage, does not certify with FSA, and does not have access to the owner's FSA-578 records?

Answer: The AIP must independently verify the terms of a written lease (e.g. accuracy of the land identifier, acreage measurements, and insurable interest/share, etc.) regardless of whether the producer participates in FSA programs or has access to FSA-578 records. The AIP must establish a RLU if the producer does not have access to FSA-578 records and does not have another valid land identifier to record on the acreage report.

Question #8: For interest/share in the crop, while the FSA-578's should not be used in the establishment of share, what does RMA consider to be acceptable records, other than any leases, if applicable?

Answer: For the intended use of grazing for PRF, the FSA-578 by itself, is not acceptable documentation for determining shares³. AIPs are expected to verify information from acceptable records. Examples of Quality Assurance Review acceptable third-party records include, but are not limited to:

- Property tax records, grazing permits/leases, land deeds, or other verifiable proof that the producer maintains control of the selected land.
 - AIPs are expected to verify that the amount of insurable acreage within these boundaries are suitable for grazing. For example, verify that acreage excludes bodies of water, ground that is too steep for grazing, and roadways.
- United States Forest Service (USFS) and Bureau of Land Management (BLM) documentation (leases, allotment master report, USFS annual operating instructions).
 - Consider contacting BLM and using the BLM Rangeland Administration System (RAS) (<https://reports.blm.gov/reports/RAS/>) as a tool to assist in verifying BLM insurable acreage.

- Consider contacting the USFS office responsible for the allotment area when there is missing information on the USFS lease needed to verify insurable acreage and share.
- Verifying acres intended for grazing must also include verifying livestock records such as receipts of cattle sale or purchase or transport records within the state. The policyholder must provide records for cash or share leased acreage and that the producer has grazed livestock in the past when requested by the AIP.⁴ The AIP is expected to verify the records obtained from the policyholder.

For acres intended for haying, insurable interest may be verified with land records as livestock alone do not directly factor into or substantiate forage production.

Additional Guidance for Land Suitability Verification

The PRF Crop Provisions requires that acreage not be steeply sloped, have water availability for livestock on the land, and otherwise be suitable for grazing or haying.

⁵ RMA Compliance reviews have identified acreage not suitable due to:

- Standing water covering insured acreage (Lakes, Rivers, Reservoirs).
- Absence of irrigation infrastructure for policies insured under an irrigated type.
- Lack of available drinking water for livestock.
- Non-agriculture land (i.e. developed properties) included in the insured acreage.

AIP must verify all acreage insured is suitable for the intended type and practice and have records to support how this requirement was verified such as:

Grazing

- Records that indicate the land has been certified for grazing by another government entity.
- Field visit.
- Notated aerial photography of the land that clearly demonstrates water availability or other livestock operation infrastructure.

Haying

- Aerial photography that shows a field is accessible to machinery and/or planted.

- Field visit.
- Evidence of irrigation infrastructure for policies insured under an irrigated type.

1. 22-RI-PRF, Section 6(g)

2. 22-RI, Section 9 (g) and (h)

3. Rainfall Index Insurance Standard Handbook (FCIC-18150), Exhibit 8E.
Determining Shares

4. Rainfall Index Insurance Standard Handbook Exhibit 8A. **“Important:** For the intended use of grazing under PRF, the insurable interest in the crop is based on the interest in the livestock and not the land. If requested, records must be provided to determine if the acreage is cash leased or share leased and that the producer has grazed livestock in past will be required.”

5. Pasture, Rangeland, Forage (PRF) Crop Provisions, Section 4(b)

Action

AIPs are to follow the guidance provided for PRF reviews. Quality control reviews must be independently conducted under SRA Appendix IV requirements.

RI reviews must be initiated within 120 days after the acreage/colony reporting date for the crop, as listed in the Special Provisions or after an acreage adjustment is completed in the crop year as specified in the Rainfall Index policy. When a review is initiated on time, AIPs may take an additional 30 days to complete the review. Reviews must be completed within 150 days of the acreage/colony reporting date.

DISPOSAL:

Effective until incorporated in the RI Insurance Standards Handbook.